



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Reports on Expenditures

**Child Protective Services
Supplemental Appropriations**

Laws 2003, Second Special Session,
Chapter 6, §52

January 1, 2004 through February 29, 2004



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

March 12, 2004

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Richard Stavneak, Director
Joint Legislative Budget Committee

Enclosed are the reports on expenditures of child protective services (CPS) appropriations specified in Laws 2003, Second Special Session, Chapter 6, §52, and the additional reports on expenditures for new CPS positions requested by Joint Legislative Budget Committee (JLBC) staff for January 1, 2004 through February 29, 2004. These reports are in response to Laws 2003, Second Special Session, Chapter 6, §52(D) which requires the Office of the Auditor General to report monthly to the JLBC Staff Director the expenditure of the appropriations specified in the same §52.

The Departments of Economic Security and Health Services provided the information, and our Office presented it on the reports developed and approved by JLBC staff. Our Office compared and agreed the information presented in these reports to the Departments' accounting records and schedules, and verified that the estimated expenditures used were based on the Department of Economic Security's historical data.

If you have any questions regarding these reports, please contact me or Dennis Mattheisen, Financial Audit Director, at (602) 553-0333.

Sincerely,

Debbie Davenport
Auditor General

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STATUS OF EXPENDITURES

The Arizona State Legislature passed Laws 2003, Second Special Session, Chapter 6 (referred to in this report as House Bill 2024) in December 2003. The special session was called by the Governor to reform child protective services (CPS). Section 52 of the law includes \$16.6 million in supplemental appropriations for the Department of Economic Security to fund a number of CPS initiatives including adding 160 new full-time CPS workers and support staff, adjusting CPS employees' salaries, replacing obsolete information technology equipment, increasing the family home foster care rate, and funding the budget shortfall for its Division of Children, Youth and Families of which CPS is a part. The reports that follow present both state and federal expenditures, since the CPS program is also funded by federal grants. In addition, the Bill also includes a \$25,000 supplemental appropriation for the Department of Health Services to add one new foster care licensing position. The status of expenditures for each of the appropriated line items described in House Bill 2024 is discussed below.

Department of Economic Security

Meeting National Staffing Standards and 100% Investigative Response Rate—The Legislature appropriated \$1,953,500 for 93 annual full-time equivalent (FTE) positions and related expenses to meet national staffing standards for CPS caseloads and \$1,674,200 for 67 annual FTE positions and related expenses to fund a 100 percent investigation rate. (See Appendix, page 21)

These appropriations were calculated based on the Department's phase-in budget worksheets that specified the total number of new positions it planned to fill each month for a 6-month period from January through June 2004. As of February 29, 2004, the Department filled 19 of the 21 new positions it planned to fill by this point in time. Of these 19 filled new positions, 15 CPS specialists were hired, 2 CPS unit supervisors were promoted, and 2 secretaries were transferred from other divisions within the Department. The two unfilled positions are for CPS case aides (formerly classified as human service workers).

For the month of February 2004, the Department reported personal services and employee-related expenditures for 10 of the 19 employees that filled the new positions. The remaining 9 employees will receive their first pay warrant in March 2004. In addition, the Department reported travel expenditures incurred by the CPS workers and allocated other operating expenditures to the 19 filled positions.

With respect to the Department's original fiscal year 2004 appropriation for the Division of Children, Youth and Families, as of February 29, 2004, the Department had the following vacant positions:

	January 2004	February 2004
CPS Specialists	52	47
CPS Unit Supervisors	3	4
CPS Case Aides	3	4
Human Service Unit Managers	0	0
Secretaries	<u>6</u>	<u>7</u>
Total vacancies	<u>64</u>	<u>62</u>

Compensation and Classification Adjustments—The Legislature appropriated \$1,562,400 for performance-based compensation adjustments, classification adjustments, or both, to be distributed at the discretion of the Department's director. (See Appendix, page 21)

The Department allocated this appropriation into three incentive pay increases: a 10 percent pay increase for the existing and new positions, a \$1,000 stipend for bilingual employees and/or those having a master's degree in social work, and performance-based compensation.

On March 5, 2004, the Department paid the 10 percent pay increase retroactive to January 17, 2004. According to the Department, the 10 percent pay increase could not be processed until March 2004 due to the complexity of the new state personnel and payroll system. The Department is currently developing the criteria for the stipends and the performance-based compensation. The Department anticipates starting the competency test for the bilingual stipend in April 2004. As a result, the January and February 2004 reports did not present expenditures for compensation and classification adjustments.

Replacement of Obsolete Information Technology Equipment—The Legislature appropriated \$103,500 to replace obsolete information technical support equipment. (See Appendix, page 21)

The Department submitted its request for purchasing desktop computers, monitors, network servers, and other associated hardware and software to the Government Information Technology Agency and the Information Technology Authorization Committee, and received their approvals on February 25, 2004. The Department is in the process of purchasing the equipment and software and finalizing a 5-year lease financing agreement. Therefore, the Department reported no expenditures for January and February 2004 for this appropriated line item.

Family Home Foster Care Rate Increase—The Legislature appropriated \$1,010,700 for family home foster care rate increases. (See Appendix, page 21)

The Department increased the family home foster care rate by \$3.75 per day per child on January 1, 2004, and plans to increase the rate again by the same amount on June 1, 2004. These adjustments are in accordance with its budget worksheets upon which the appropriation was based. The Department reported the first payment in February 2004 to reflect the rate increase for foster families services provided in January 2004.

Budget Shortfall Funding for Division of Children, Youth and Families—The Legislature appropriated \$10,300,000 for maintaining current staffing and service levels for CPS, including adoption services, permanent guardianship, and children services. (See Appendix, page 21)

The Department intends to use the appropriation to offset a portion of the budget shortfall for children services which is expected to occur in March 2004. The Department will then begin using this new appropriation.

Department of Health Services

New Licensing Position—The Legislature appropriated \$25,000 for one annual licensing FTE position. (See Appendix, page 21)

The Department transferred an employee from another position within its Licensing Services Division to fill this position on January 23, 2004. The Department reported the first payroll and employee-related expenditures for this employee in February 2004.

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Total Expenditures of Supplemental Appropriations^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)

	<u>Supplemental Appropriations</u>	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
State General Fund				
Meeting National Staffing Standards and 100% Investigative Response Rate ^{3, 4}	\$ 3,627,700	\$ 5,531	\$ 25,548	
Compensation and Classification Adjustments New Employees Existing Employees	<u>1,562,400</u>			
Replacement of Obsolete Information Technology Equipment	103,500			
Family Home Foster Care Rate Increase ⁵	1,010,700		118,208	
Budget Shortfall Funding for Division of Children, Youth and Families	<u>10,300,000</u>			
Total State General Fund	<u>\$ 16,604,300</u>	<u>\$ 5,531</u>	<u>\$ 143,756</u>	
Federal Title IV-E				
Meeting National Staffing Standards and 100% Investigative Response Rate ^{3, 4}		\$ 1,882	\$ 12,336	
Compensation and Classification Adjustments New Employees Existing Employees				
Replacement of Obsolete Information Technology Equipment				
Family Home Foster Care Rate Increase ⁵			89,625	
Budget Shortfall Funding for Division of Children, Youth and Families				
Total Federal Title IV-E		<u>\$ 1,882</u>	<u>\$ 101,961</u>	
Federal Temporary Assistance for Needy Families				
Family Home Foster Care Rate Increase ⁵			<u>\$ 8,077</u>	

Expenditures

<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
					\$ 31,079
					118,208
					<u>\$ 149,287</u>
					\$ 14,218
					89,625
					<u>\$ 103,843</u>
					<u>\$ 8,077</u>

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Total Expenditures for New Child Protective Services Positions^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)

	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
Personal Services⁴			
CPS Specialists	\$ 1,020	\$ 21,773	
CPS Unit Supervisors		2,162	
CPS Case Aides			
Human Service Unit Managers			
Secretaries	<u>780</u>	<u>1,561</u>	<u> </u>
	<u>1,800</u>	<u>25,496</u>	<u> </u>
Employee-related Expenditures			
CPS Specialists	163	3,689	
CPS Unit Supervisors		769	
CPS Case Aides			
Human Service Unit Managers			
Secretaries	<u>131</u>	<u>250</u>	<u> </u>
	<u>294</u>	<u>4,708</u>	<u> </u>
In-State Travel⁴	<u>1,201</u>	<u>1,029</u>	<u> </u>
Other Operating			
Occupancy ⁶	2,251	3,636	
Telephone			
Miscellaneous ⁷	<u>1,867</u>	<u>3,015</u>	<u> </u>
	<u>4,118</u>	<u>6,651</u>	<u> </u>
Equipment			
Vehicles			
Office Furniture			
Computers	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Total State General Fund and Title IV-E	<u>\$ 7,413</u>	<u>\$ 37,884</u>	<u> </u>

Expenditures

<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
					\$ 22,793
					2,162
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 2,341
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 27,296
					3,852
					769
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 381
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 5,002
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 2,230
					5,887
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 4,882
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> 10,769
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/> \$ 45,297

(Continued)

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Total Expenditures for New Child Protective Services Positions^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)
 (Continued)

	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
State General Fund⁴			
Personal Services	\$ 1,242	\$ 16,395	
Employee-related Expenditures	203	3,092	
In-State Travel	709	607	
Other Operating Equipment	3,377	5,454	
Total State General Fund	<u>5,531</u>	<u>25,548</u>	<u> </u>
Federal Title IV-E⁴			
Personal Services	558	9,101	
Employee-related Expenditures	91	1,616	
In-State Travel	492	422	
Other Operating Equipment	741	1,197	
Total Federal Title IV-E	<u>1,882</u>	<u>12,336</u>	<u> </u>
Total State General Fund and Federal Title IV-E	<u>\$ 7,413</u>	<u>\$ 37,884</u>	<u> </u>

Expenditures

<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
					\$ 17,637
					3,295
					1,316
					8,831
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>31,079</u>
					9,659
					1,707
					914
					1,938
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>14,218</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>\$ 45,297</u>

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Personal Services Expenditures for
 New Child Protective Services Positions^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)

Position Classification/ Employee Number	Hire/ Transfer/ Promotion Date	Annual Salary	January 2004	February 2004
CPS Specialists^{3, 4} (Investigators/Case Managers)				
EIN 000026XXX	1/3/2004	\$ 28,624		\$ 3,303
EIN 000086XXX	1/3/2004	\$ 28,624		3,303
EIN 000086XXX	1/3/2004	\$ 26,526		3,061
EIN 000086XXX	1/3/2004	\$ 26,526	\$ 1,020	2,040
EIN 000086XXX	1/3/2004	\$ 28,624		3,372
EIN 000086XXX	1/3/2004	\$ 26,526		3,391
EIN 000086XXX	1/3/2004	\$ 28,624		3,303
EIN 000087XXX	2/17/2004	\$ 28,624		
EIN 000087XXX	2/23/2004	\$ 28,624		
EIN 000087XXX	2/23/2004	\$ 28,624		
EIN 000087XXX	2/23/2004	\$ 28,624		
EIN 000087XXX	2/23/2004	\$ 31,337		
EIN 000087XXX	2/17/2004	\$ 28,624		
EIN 000087XXX	2/9/2004	\$ 31,337		
EIN 000087XXX	2/17/2004	\$ 26,526		
			1,020	21,773
Total Expenditures for CPS Specialists			7	8
Total Actual CPS Specialists			7	8
Total Phased-in CPS Specialists ⁸			7	8
CPS Unit Supervisors³				
EIN 000030XXX	2/9/2004	\$ 34,961		957
EIN 000038XXX	2/2/2004	\$ 34,606		1,205
				2,162
Total Expenditures for CPS Unit Supervisors			0	2
Total Actual CPS Unit Supervisors			1	1
Total Phased-in CPS Unit Supervisors ⁸			1	1

Expenditures

<u>March 2004</u>	<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
						\$ 3,303
						3,303
						3,061
						3,060
						3,372
						3,391
						3,303
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
						<u>22,793</u>
						15
						15
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
						957
						1,205
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
						<u>2,162</u>
						2
						2

(Continued)

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Personal Services Expenditures for
 New Child Protective Services Positions^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)
 (Continued)

Position Classification/ Employee Number	Hire/ Transfer/ Promotion Date	Annual Salary	January 2004	February 2004
CPS Case Aides³				
(None)				
Total Expenditures for CPS Case Aides				
Total Actual CPS Case Aides			0	0
Total Phased-in CPS Case Aides ⁸			1	1
Human Service Unit Managers³				
(None)				
Total Expenditures for Human Service Unit Managers				
Total Actual Human Service Unit Managers			0	0
Total Phased-in Human Service Unit Managers ⁸			0	0
Secretaries³				
EIN000039XXX	1/3/2004	\$ 19,371	\$ 780	\$ 1,561
EIN000053XXX	2/23/2004	\$ 23,130		
Total Expenditures for Secretaries			780	1,561
Total Actual Secretaries			1	1
Total Phased-in Secretaries ⁸			1	1
Total Personal Services Expenditures—				
State General Fund and Federal Title IV-E			<u>\$ 1,800</u>	<u>\$ 25,496</u>
Total Actual New CPS Workers and Support Staff			8	11
Total Phased-in CPS Workers and Support Staff ⁸			10	11
Total Authorized Investigators and Case Managers				
Total Authorized CPS Support Staff				
Total Authorized FTEs				

Expenditures

<u>March 2004</u>	<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	0 2
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	0 0
_____	_____	_____	_____	_____	_____	\$ 2,341
_____	_____	_____	_____	_____	_____	2,341
_____	_____	_____	_____	_____	_____	2 2
_____	_____	_____	_____	_____	_____	<u>\$ 27,296</u>
_____	_____	_____	_____	_____	_____	19 21
_____	_____	_____	_____	_____	_____	104 56 160

(Continued)

Child Protective Services Supplemental Appropriations
 Department of Economic Security
 Report on Personal Services Expenditures for
 New Child Protective Services Positions^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)
 (Continued)

Position Classification/ Employee Number	Hire/ Transfer/ Promotion Date	Annual Salary	January 2004	February 2004
Summary by Funding Source				
Total State General Fund⁴			\$ 1,242	\$ 16,395
Total Federal Title IV-E⁴			<u>558</u>	<u>9,101</u>
Total Personal Services Expenditures—				
State General Fund and Federal Title IV-E			<u>\$ 1,800</u>	<u>\$ 25,496</u>

Expenditures

<u>March 2004</u>	<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
						\$ 17,637
						<u>9,659</u>
						<u>\$ 27,296</u>

Child Protective Services Supplemental Appropriations
 Department of Health Services
 Report on Total Expenditures of Supplemental Appropriation^{1, 2}
 January 1, 2004 through February 29, 2004
 (Unaudited)

	<u>Supplemental Appropriation</u>	<u>January 2004</u>	<u>February 2004</u>	<u>March 2004</u>
State General Fund				
New Licensing Position	\$ 25,000	_____	\$ 4,601	_____
Total State General Fund	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 4,601</u>	<u>_____</u>

Expenditures

<u>April 2004</u>	<u>May 2004</u>	<u>June 2004</u>	<u>13th Month 2004</u>	<u>Administrative Adjustments</u>	<u>Total</u>
					\$ 4,601
					\$ 4,601

NOTES

1 Appropriations information and authorized FTE amounts were obtained from House Bill 2024, Section 52. All expenditures, actual FTE amounts, and position information presented for the Department of Economic Security in these reports were obtained from its Financial Management Control System and estimated expenditures were based on its historical data (See notes 6 and 7). The Department of Economic Security's phased-in FTE amounts were obtained from its budget worksheets, upon which the appropriations were based. The Department of Health Services' actual expenditures were obtained from the State's Arizona Financial Information System.

2 Actual expenditures are reported in the month cash was disbursed.

3 The new CPS staff positions authorized by House Bill 2024, Section 52(A)1(a) and (b) and the related personal services expenditures are presented together on these reports because the investigation and case management functions are not currently separated among the CPS employees. The Department is in the process of separating these two functions as required by House Bill 2024.

4 The Department is funding 82 percent of the 160 new CPS positions authorized by House Bill 2024, Section 52(A)1(a) and (b) from State General Fund appropriations and the remaining 18 percent from Federal Title IV-E funding, with one exception. During the initial CPS specialist program training period that the new CPS specialists attend, the training funding percentages are 59 percent from the State General Fund and 41 percent from Federal Title IV-E for personal services and travel expenditures. These percentages are based on the actual allocation percentages used for the Division of Children, Youth and Families (DCYF) expenditures in fiscal years 2002, 2003, and the first half of fiscal year 2004.

5

If a child does not qualify for Federal Title IV-E or Temporary Assistance for Needy Families (TANF) grant, the Department is funding 100 percent of the family home foster care rate increase from the State General Fund. If a child is eligible for the Federal Title IV-E grant, the Department is funding 67.25 percent of the increase from the Federal Title IV-E and the remaining 32.75 percent from the State General Fund. If a child is eligible for the TANF grant, the Department is funding 100 percent of the increase from the TANF grant.

6

Occupancy costs were calculated at \$3,376 per FTE on an annual basis (185 square feet at \$18.25 per square foot). The 185-square-foot estimate was obtained from the Department of Economic Security's space policies for field offices, and the \$18.25 per square foot rate was established by the State Lease Cost Review Board.

7

Miscellaneous other operating expenditures include telephone services, postage, office supplies, copiers, repairs, and maintenance, and were calculated at \$2,800 per FTE on an annual basis based on actual DCYF expenditures in fiscal year 2003.

8

Total phased-in FTEs represent the planned number of new positions to be staffed each month. The appropriations were developed based on the assumption that a specified number of new positions would be added each month until the Department meets the total authorized new positions.

APPENDIX

House Bill 2024 (Laws 2003, Second Special Session, Chapter 6)

Sec. 52. Appropriations; department of economic security; department of health services; purposes

A. The following sums are appropriated from the state general fund in fiscal year 2003-2004 to the department of economic security for the following child protective services:

1. \$6,304,300 for the following purposes:

(a) \$1,953,500 for 93 annual FTE positions and related expenses to meet national staffing standards for child protective service caseloads. The 93 annual FTE positions shall include 60 investigator and case manager positions and 33 support staff.

(b) \$1,674,200 for 67 annual FTE positions and related expenses to fund a one hundred percent investigation rate. The 67 annual FTE positions shall include 44 investigator and case manager positions and 23 support staff.

(c) \$1,562,400 for performance-based compensation adjustments, classification adjustments or both at the discretion of the director of the department.

(d) \$103,500 to replace obsolete information technical support equipment.

(e) \$1,010,700 for family home foster care rate increase.

2. \$10,300,000 to maintain current staffing and service levels for child protective services including adoption services, permanent guardianship and children services.

B. The sum of \$25,000 and 1 FTE position is appropriated in fiscal year 2003-2004 from the state general fund to the department of health services for licensing.

C. Monies remaining unexpended and unencumbered from the appropriations made in this section revert to the state general fund on July 1, 2004.

D. The auditor general shall report monthly to the staff director of the joint legislative budget committee on the expenditure of the appropriations made in this section.